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August 16, 2006

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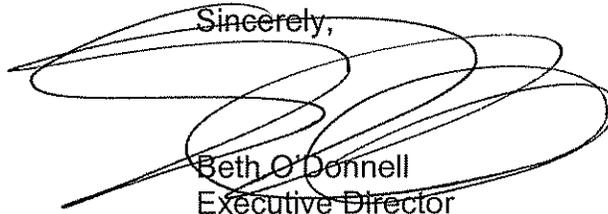
Anthony G. Martin, Esq.  
P.O. Box 1812  
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Re: Case No. 2006-00197  
Kentucky-American Water Company

Ladies and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Deputy General Counsel, at (502) 564-3940, Extension 259.

Sincerely,



Beth O'Donnell  
Executive Director

gw  
Enclosure  
cc: Parties of Record

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**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File No. 2006-00197

**FROM:** Gerald Wuetcher  
Deputy General Counsel

**DATE:** August 15, 2006

**RE:** Conference of August 10, 2006

On August 10, 2006, Commission Staff held an informal conference in this case in the Commission's offices in Frankfort, Kentucky. Present were:

Lindsey Ingram, Jr.	-	Joint Petitioners
Lindsey Ingram III	-	Joint Petitioners
Nick Rowe	-	Joint Petitioners
David Spenard	-	Office of Attorney General
Dennis Howard	-	Office of Attorney General
David Barberie	-	Lexington-Fayette Urban County Government
Mark Frost	-	Commission Staff
Scott Lawless	-	Commission Staff
James Rice	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

Joint Petitioners had requested the conference to discuss possible resolution of some or all issues that their petition presented.

Beginning the conference, Mr. Wuetcher stated that Commission Staff would prepare minutes of the conference for the case record, that a copy of these minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

The parties agreed that the discussions were for the purpose of settlement, were not to be disclosed to the public or to the Commission, and were not binding upon the parties if a settlement agreement was not reached. The parties further agreed that they waived any objection to Commission Staff's presence and participation in the discussions.

Mr. Spenard inquired about the status of the AG's pending motions. Mr. Wuetcher advised that an Order on the applicability of KRS 278.020 to the current proceeding would be issued by August 14. He stated that orders on the AG's Motion to

Compel and Joint Petitioners' Motion for Confidential Treatment were expected to be issued before the hearing.

Mr. Lindsey Ingram, Jr. and Mr. Spenard discussed the AG's Motion to Compel. Mr. Ingram stated that Joint Petitioners would provide to the Commission for *in camera* inspection all documents that Joint Petitioners contend are not responsive to the Commission Staff's or Lexington-Fayette Urban County Government's requests for information or are not relevant to this proceeding. Mr. Ingram stated that Joint Petitioners would not disclose any material for which attorney-client or attorney work product privilege is asserted. Disclosure of such material, even to the Commission, might constitute waiver of such privilege. Joint Petitioners, however, would provide the parties and the Commission a description of the materials and an explanation as to why the privileges apply.

Mr. Spenard stated that this offer was acceptable to the AG and that the AG agreed to withdraw his Motion to Compel as it related to materials for which Joint Petitioners asserted an attorney-client or work product privilege in return for such description. He further stated that the AG reserved his right to renew his motion to compel regarding these materials after reviewing Joint Petitioners' description.

The parties then discussed generally proposals for resolving contested issues presented by the Joint Petition but were unable to reach agreement.

The conference then adjourned.

cc: Parties of Record